

SAC COUNTY

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2012

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SAC COUNTY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jack Bensley	Board of Supervisors	Jan. 2013
Rick Hecht	Board of Supervisors	Jan. 2015
Dean Stock	Board of Supervisors	Jan. 2015
James W. Dowling	County Auditor	Jan. 2013
Vicki Peyton	County Treasurer	Jan. 2015
Nancy Auen	County Recorder	Jan. 2015
Ken McClure	County Sheriff	Jan. 2013
Ben Smith	County Attorney	Jan. 2015
Robert Hawks	County Assessor	Jan. 2016

HUNZELMAN, PUTZIER & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
JASON K. RAVELING
TAMMY M. CARLSON, C.P.A.
RICHARD R. MOORE, C.P.A. (RETIRED)
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W. J. HUNZELMAN, C.P.A. 1921-1997

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INDEPENDENT AUDITOR'S REPORT

To the Officials of Sac County:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sac County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Sac County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 14 to the financial statements, management has not recorded capital assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that capital assets be recorded and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of Sac County at June 30, 2012, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2013, on our consideration of Sac County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The County has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

U.S. generally accepted accounting principles require Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 31 through 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sac County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ending June 30, 2003 (which is not presented herein), and expressed qualified opinions on those financial statements because the general fixed asset account group was omitted. We also previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for each of the years in the eight year period ending June 30, 2011 (none of which are presented herein), and expressed adverse opinions on those financial statements because capital assets and depreciation expense on those assets was omitted. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungelman, Putzier & Co., PLLC

January 9, 2013

SAC COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2012

Exhibit A

	Primary <u>Government</u> Governmental <u>Activities</u>	Component <u>Unit</u> Conservation <u>Foundation</u>
<u>ASSETS</u>		
Cash and pooled investments	\$ 3,612,968	\$ 58,115
Receivables:		
Property tax:		
Delinquent	10,228	-
Succeeding year	4,894,470	-
Interest and penalty on property tax	35,684	-
Accounts	398,865	-
Accrued interest	5,026	-
Drainage assessments	65,033	-
Due from other governments	265,238	-
Inventories	1,081,504	-
Prepaid expenses	53,950	-
Total assets	<u>10,422,966</u>	<u>58,115</u>
<u>LIABILITIES</u>		
Accounts payable	480,867	-
Due to other governments	588,465	-
Accrued interest payable	40,183	-
Salaries and benefits payable	43,071	-
Deferred revenue:		
Succeeding year property tax	4,894,470	-
Other	65,065	-
Long-term liabilities:		
Portion due or payable within one year:		
Note payable	41,000	-
Compensated absences	245,505	-
Portion due or payable after one year:		
Note payable	129,000	-
Drainage warrants/drainage improvement certificates payable	217,093	-
Net OPEB liability	134,457	-
Total liabilities	<u>6,879,176</u>	<u>-</u>
<u>NET ASSETS</u>		
Restricted for:		
Supplemental levy purposes	53,979	-
Secondary roads purposes	2,348,228	-
Rural services purposes	41,723	-
Debt service	62,303	-
Other purposes	163,850	-
Unrestricted	873,707	58,115
Total net assets	<u>\$ 3,543,790</u>	<u>\$ 58,115</u>

See notes to financial statements.

SAC COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Exhibit B

	<u>Expenses</u>	<u>Charges for Service</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>	
			<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>	<u>Primary Government Total</u>	<u>Component Unit Conservation Foundation</u>
Functions/Programs						
Primary Government:						
Governmental activities:						
Public safety and legal services	\$ 2,234,484	\$ 553,018	\$ 141,038	\$ -	\$ (1,540,428)	\$ -
Physical health and social services	593,671	164,373	215,070	-	(214,228)	-
Mental health	1,887,226	1,478	1,020,057	-	(865,691)	-
County environment and education	690,097	51,996	10,587	-	(627,514)	-
Roads and transportation	3,933,768	192,899	2,861,226	7,019	(872,624)	-
Governmental services to residents	408,797	210,337	15,592	-	(182,868)	-
Administration	1,202,935	51,807	-	-	(1,151,128)	-
Non-program	117,558	7,152	-	319,001	208,595	-
Interest on long-term debt	8,664	-	-	-	(8,664)	-
Total primary government	<u>\$ 11,077,200</u>	<u>\$ 1,233,060</u>	<u>\$ 4,263,570</u>	<u>\$ 326,020</u>	<u>(5,254,550)</u>	<u>-</u>
Component Unit:						
Conservation Foundation	<u>\$ 43,925</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,983</u>	<u>-</u>	<u>(29,942)</u>
General Revenues:						
Property and other county tax levied for:						
General purposes					4,638,395	-
Debt service					52,762	-
Penalty and interest on property tax					35,391	-
State tax credits					248,675	-
Local option sales tax					450,583	-
Unrestricted investment earnings					50,429	321
Miscellaneous					233,494	-
Total general revenues					<u>5,709,729</u>	<u>321</u>
Change in net assets					455,179	(29,621)
Net assets beginning of year					<u>3,088,611</u>	<u>87,736</u>
Net assets end of year					<u>\$ 3,543,790</u>	<u>\$ 58,115</u>

See notes to financial statements.

SAC COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

Exhibit C

		Special Revenue					
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Nonmajor</u>	<u>Total</u>	
<u>ASSETS</u>							
Cash and pooled investments	\$ 1,431,253	\$ 227,028	\$ 53,275	\$ 1,579,832	\$ 210,439	\$ 3,501,827	
Receivables:							
Property tax:							
Delinquent	7,963	1,703	402	-	161	10,229	
Succeeding year	2,676,119	553,957	1,599,006	-	65,388	4,894,470	
Interest and penalty on property tax	35,684	-	-	-	-	35,684	
Accounts	380,935	-	3,447	13,615	-	397,997	
Accrued interest	4,965	-	-	-	787	5,752	
Drainage assessments	-	-	-	-	65,033	65,033	
Due from other governments	202,833	50,324	3,651	8,118	454	265,380	
Inventories	-	-	-	1,081,504	-	1,081,504	
Prepaid expenses	34,068	4,026	756	15,675	-	54,525	
Total assets	<u>\$ 4,773,820</u>	<u>\$ 837,038</u>	<u>\$ 1,660,537</u>	<u>\$ 2,698,744</u>	<u>\$ 342,262</u>	<u>\$ 10,312,401</u>	
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ 145,871	\$ 55,848	\$ 16,749	\$ 220,030	\$ 13,686	\$ 452,184	
Due to other governments	3,903	578,548	15	5,999	-	588,465	
Interest payable	-	-	-	-	39,610	39,610	
Salaries and benefits payable	39,634	-	3,043	394	-	43,071	
Deferred revenue:							
Succeeding year property tax	2,676,119	553,957	1,599,006	-	65,388	4,894,470	
Other	43,647	1,703	402	-	65,194	110,946	
Total liabilities	<u>2,909,174</u>	<u>1,190,056</u>	<u>1,619,215</u>	<u>226,423</u>	<u>183,878</u>	<u>6,128,746</u>	
Fund balances:							
Nonspendable							
Inventory	-	-	-	1,081,504	-	1,081,504	
Prepaid expenses	34,068	4,026	756	15,675	-	54,525	
Restricted for:							
Supplemental levy purposes	53,516	-	-	-	-	53,516	
Rural services purposes	-	-	40,566	-	-	40,566	
Secondary roads purposes	-	-	-	1,375,142	-	1,375,142	
Debt service	-	-	-	-	22,715	22,715	
Other purposes	-	-	-	-	165,742	165,742	
Unassigned	1,777,062	(357,044)	-	-	(30,073)	1,389,945	
Total fund balances	<u>1,864,646</u>	<u>(353,018)</u>	<u>41,322</u>	<u>2,472,321</u>	<u>158,384</u>	<u>4,183,655</u>	
Total liabilities and fund balances	<u>\$ 4,773,820</u>	<u>\$ 837,038</u>	<u>\$ 1,660,537</u>	<u>\$ 2,698,744</u>	<u>\$ 342,262</u>	<u>\$ 10,312,401</u>	

See notes to financial statements.

SAC COUNTY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Exhibit D

Total governmental fund balances	\$ 4,183,655
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	46,128
Long-term liabilities, including notes payable, accrued interest payable, compensated absences payable, other postemployment benefits payable, and drainage warrants payable are not due and payable in the current year and, therefore, are not reported in the governmental funds.	(767,626)
The Internal Service Fund is used by management to charge the costs of the partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the Statement of Net Assets.	<u>81,633</u>
Net assets of governmental activities	<u>\$ 3,543,790</u>

See notes to financial statements.

SAC COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

Exhibit E

		Special Revenue				
	General	Mental Health	Rural Services	Secondary Roads	Nonmajor	Total
Revenues:						
Property and other County tax	\$ 3,024,859	\$ 550,533	\$ 1,512,903	\$ -	\$ 52,746	\$ 5,141,041
Interest and penalty on property tax	29,044	-	-	-	-	29,044
Intergovernmental	538,616	1,050,739	70,194	3,021,921	13,193	4,694,663
Licenses and permits	6,600	-	-	11,545	-	18,145
Charges for services	916,182	-	1,600	13,598	3,086	934,466
Use of money and property	51,687	-	-	-	358	52,045
Miscellaneous	182,638	-	299	25,899	327,657	536,493
Total revenues	<u>4,749,626</u>	<u>1,601,272</u>	<u>1,584,996</u>	<u>3,072,963</u>	<u>397,040</u>	<u>11,405,897</u>
Expenditures:						
Operating:						
Public safety and legal services	2,093,916	-	121,889	-	5,034	2,220,839
Physical health and social services	569,952	-	-	-	-	569,952
Mental health	-	1,878,005	-	-	-	1,878,005
County environment and education	384,753	-	303,060	-	-	687,813
Roads and transportation	-	-	-	3,659,743	-	3,659,743
Governmental services to residents	395,227	-	3,778	-	2,251	401,256
Administration	1,151,882	-	-	-	-	1,151,882
Non-program	-	-	-	-	117,557	117,557
Debt service	-	-	-	-	48,634	48,634
Capital projects	-	-	-	245,287	-	245,287
Total expenditures	<u>4,595,730</u>	<u>1,878,005</u>	<u>428,727</u>	<u>3,905,030</u>	<u>173,476</u>	<u>10,980,968</u>
Excess (deficiency) of revenues over expenditures	<u>153,896</u>	<u>(276,733)</u>	<u>1,156,269</u>	<u>(832,067)</u>	<u>223,564</u>	<u>424,929</u>
Other financing sources (uses):						
Operating transfers in (out)	(101,515)	-	(1,149,154)	1,250,669	-	-
Drainage district warrants	-	-	-	-	(179,755)	(179,755)
Sale of assets	-	-	-	100,700	-	100,700
Total other financing sources (uses)	<u>(101,515)</u>	<u>-</u>	<u>(1,149,154)</u>	<u>1,351,369</u>	<u>(179,755)</u>	<u>(79,055)</u>
Net change in fund balances	52,381	(276,733)	7,115	519,302	43,809	345,874
Fund balances, beginning of year	<u>1,812,265</u>	<u>(76,285)</u>	<u>34,207</u>	<u>1,953,019</u>	<u>114,575</u>	<u>3,837,781</u>
Fund balances, end of year	<u>\$ 1,864,646</u>	<u>\$ (353,018)</u>	<u>\$ 41,322</u>	<u>\$ 2,472,321</u>	<u>\$ 158,384</u>	<u>\$ 4,183,655</u>

See notes to financial statements.

SAC COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Exhibit F

Net change in fund balances - Total governmental funds \$ 345,874

Amounts reported for governmental activities in the Statement of
 Activities are different because:

Some revenues will not be collected for several months after the
 County's year end, therefore, they are not considered available revenues
 and are deferred in the governmental funds as follows:

Property tax	\$ 7,046	
Other	<u>(105)</u>	6,941

Proceeds from issuing long-term liabilities provide current financial
 resources to governmental funds, but issuing debt increases long-term
 liabilities in the Statement of Net Assets. Repayment of long-term
 liabilities is an expenditure in the governmental funds, but the repayment
 reduces long-term liabilities in the Statement of Net Assets. Current year
 issues exceeded repayments as follows:

Issued drainage district warrants	(75,941)	
Redeemed drainage district warrants	255,696	
Payments on long-term debt	<u>40,000</u>	219,755

Some expenses reported in the Statement of Activities do not require the
 use of current financial resources and, therefore, are not reported as
 expenditures in the governmental funds, as follows:

Compensated absences	2,167	
Other post employment benefits	(47,586)	
Interest on long-term debt	<u>(30)</u>	(45,449)

The Internal Service Fund is used by management to charge the costs of
 the partial self-funding of the County's health insurance benefit plan
 to individual funds. The change in net assets of the Internal Service Fund
 is reported with governmental activities.

Change in net assets of governmental activities	<u>\$ 455,179</u>
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See notes to financial statements.

SAC COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

Exhibit G

	Internal Service Employee <u>Group Health</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ <u>111,141</u>
 <u>LIABILITIES</u>	
Accounts payable	28,901
Deferred revenue	<u>607</u>
Total liabilities	<u>29,508</u>
 <u>NET ASSETS</u>	
Unrestricted	\$ <u>81,633</u>

See notes to financial statements.

SAC COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

Exhibit H

	Internal Service Employee Group Health
Operating revenues:	
Reimbursements from operating funds	\$ 67,428
Reimbursements from employees and others	<u>11,098</u>
Total operating revenues	78,526
Operating expenses:	
Insurance premiums and administrative fees	<u>150,831</u>
Operating loss	(72,305)
Non-operating revenues:	
Interest income	<u>363</u>
Net loss	(71,942)
Net assets beginning of year	<u>153,575</u>
Net assets end of year	<u>\$ 81,633</u>

See notes to financial statements.

SAC COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2012

Exhibit I

	Internal Service Employee <u>Group Health</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements and employees	\$ 119,738
Cash payments for medical claims and administrative fees	<u>(131,470)</u>
Net cash used for operating activities	(11,732)
 Cash flows from investing activities:	
Interest on investments	<u>363</u>
 Net decrease in cash and cash equivalents	(11,369)
 Cash and cash equivalents, beginning of year	<u>122,510</u>
 Cash and cash equivalents, end of year	<u>\$ 111,141</u>
 Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (72,305)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Decrease in accounts receivable	46,787
Increase in accounts payable	19,362
Decrease in deferred revenue	<u>(5,576)</u>
 Net cash used for operating activities	<u>\$ (11,732)</u>

See notes to financial statements.

SAC COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2012

Exhibit J

ASSETS

Cash and pooled investments:

County Treasurer	\$ 770,471
Other County officials	42,386

Receivables:

Property tax:

Delinquent	49,348
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Succeeding year	10,581,588
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Accounts	18,170
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Due from other governments	83,445
----------------------------	--------

Special assessments	46,691
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Total assets	<u>11,592,099</u>
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LIABILITIES

Accounts payable	5,278
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Salaries and benefits payable	610
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Due to other governments	<u>11,586,211</u>
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Total liabilities	<u>11,592,099</u>
-------------------	-------------------

Net Assets	<u>\$ -</u>
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See notes to financial statements.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sac County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Sac County has included all funds, organizations, agencies, boards, commissions, and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the County.

These financial statements present Sac County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units - The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Two hundred thirty-four drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed, and supervised by the Sac County Board of Supervisors. The drainage districts are reported as a special revenue fund. Financial information of the individual drainage districts can be obtained from the Sac County Auditor's office.

Discretely Presented Component Unit - The Sac County Conservation Foundation is a legally separate, tax-exempt, component unit of Sac County. The foundation acts primarily as a fund-raising organization to supplement the resources that are available to the County in support of conservation purposes. Although the County does not control the timing or amount of receipts from the foundation, the majority of resources, or income thereon, that the foundation holds and invests are restricted to the activities of the County by the donors. Because these restricted resources held by the foundation can only be used by, or for the benefit of, the County, the foundation is considered a component unit of the County and is discretely presented in the County's financial statements.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A. Reporting Entity- (Continued)

Jointly Governed Organizations - The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Sac County Assessor's Conference Board, Sac County Emergency Management Commission, Sac County Solid Waste Agency, and Sac County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship, if any, with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues, and other non-exchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in two categories.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the main operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs that are not paid from other funds.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation - (Continued)

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units, and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when they occur and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers property taxes to be available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments), and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus and Basis of Accounting - (Continued)

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments, and Cash Equivalents - The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities, and Fund Equity - (Continued)

Property Tax Receivable - (Continued)

Property tax revenues recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2010, assessed property valuations; is for the tax accrual period July 1, 2011, through June 30, 2012; and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

Interest and Penalty on Property Tax Receivable - Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Drainage Assessments Receivable - Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. These assessments receivable represent assessments which are payable but not yet due.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Prepaid - The prepaid represents employee health insurance premiums for next fiscal year.

Due to Other Governments - Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of succeeding year property tax receivable, as well as delinquent property tax receivable not collected within sixty days after year end and drainage assessments receivable.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable and drainage assessments receivable that will not be recognized as revenue until the year for which it is levied and contributions from external customers in the Employee Group Health Fund.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Assets, Liabilities, and Fund Equity - (Continued)

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, and Secondary Roads Funds.

Long-Term Liabilities - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

Net Assets - The net assets of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements in certain departments exceeded the amounts budgeted.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

2. CASH AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2012, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Investments are stated at fair value.

The County's investments at June 30, 2012, are as follows:

<u>Type</u>	<u>Fair Value</u>
Drainage warrants	<u>\$ 6,441</u>

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$39,741 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Credit risk – The investment in Iowa Public Agency Investment Trust is unrated.

Concentration of credit risk – The County places no limit on the amount that may be invested in any one issuer.

3. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2012, is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 101,515
	Special Revenue: Rural Services	<u>1,149,154</u>
Total		<u>\$1,250,669</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

4. DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. The Agency Fund collections also include accruals of property tax for the succeeding year. The tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 3,903
Special Revenue:		
Mental Health	Services	\$ 578,548
Rural Services		15
Secondary Roads		<u>5,999</u>
		<u>584,562</u>
Total for governmental funds		<u>\$ 588,465</u>
Agency:		
County Assessor	Collections	\$ 290,018
Schools		7,505,706
Community Colleges		513,623
Corporations		2,411,515
Townships		210,403
Auto License and Use Tax		269,045
Agricultural Extension		163,478
All other		<u>222,423</u>
Total for agency funds		<u>\$ 11,586,211</u>

5. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2012, is as follows:

	<u>Note Payable</u>	<u>Compensated Absences</u>	<u>Drainage Warrants</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Balance, beginning of year	\$ 210,000	\$ 247,672	\$ 396,848	\$ 86,871	\$ 941,391
Increases	-	-	75,941	52,028	127,969
Decreases	<u>(40,000)</u>	<u>(2,167)</u>	<u>(255,696)</u>	<u>(4,442)</u>	<u>(302,305)</u>
Balance, end of year	<u>\$ 170,000</u>	<u>\$ 245,505</u>	<u>\$ 217,093</u>	<u>\$ 134,457</u>	<u>\$ 767,055</u>
Due within one year	<u>\$ 41,000</u>	<u>\$ 245,505</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 286,505</u>

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

5. LONG-TERM LIABILITIES- (Continued)

Note Payable

A summary of the County's June 30, 2012, note payable is as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	4.10%	41,000	6,970	47,970
2014	4.10%	42,000	5,289	47,289
2015	4.10%	43,000	3,567	46,567
2016	4.10%	44,000	1,809	45,809
		<u>\$ 170,000</u>	<u>\$ 17,635</u>	<u>\$ 187,635</u>

Drainage Warrants

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage warrants are paid from the Special Revenue, Drainage Districts Fund solely from drainage assessments against benefited properties.

6. PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% of annual covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010, were \$304,993, \$264,975, and \$244,291, respectively, equal to the required contributions for each year.

7. RISK MANAGEMENT

Sac County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

7. RISK MANAGEMENT - (Continued)

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2012, were \$139,439.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2012, no liability has been recorded in the County's financial statements. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond. The County assumes responsibility for worker's compensation claims in excess of \$1,000,000 and employee blanket bond claims in excess of \$20,000 for all employees except for the Treasurer who is insured in the amount of \$50,000. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

8. EMPLOYEE HEALTH INSURANCE PLAN

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Group Services, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual out of pocket maximum of \$2,000 for single coverage and \$4,000 for family coverage. Claims in excess of the out of pocket maximums are insured through the purchase of insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Group Services, Inc. from the Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2012, was \$60,434.

Amounts payable from the Employee Group Health Fund at June 30, 2012, total \$28,901, which is for incurred but not reported (IBNR) and reported but not paid claims. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. At June 30, 2012, the County has accumulated funds in excess of actual claims paid of \$81,633, which is reported as net assets of the Internal Service, Employee Group Health Fund.

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description. The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees, and their spouses. There are 86 active members and 1 retired member in the plan. Retired participants must meet IPERS normal retirement age. Benefits cease upon attaining age 65. The plan does not issue a stand-alone financial report.

The medical/prescription drug coverage, which is a medical plan, is administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. Retirees pay the full premium. The current funding policy of the County is to pay health claims as they occur.

The required contribution is based on projected pay-as-you-go financing. Retirees receiving benefits have required monthly contributions of:

<u>Plan</u>	<u>Single</u>	<u>Family</u>
#1	\$ 444.39	\$1,055.79
#2	\$ 395.66	\$ 922.77
#3	\$ -	\$ 902.66

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual required contribution	\$ 49,856
Interest on net OPEB obligation	2,172
Adjustment to annual required contribution	<u>(4,442)</u>
Annual OPEB cost	47,586
Contributions made	<u>-</u>
Increase in net OPEB obligation	47,586
Net OPEB obligation beginning of year	<u>86,871</u>
Net OPEB obligation end of year	<u>\$ 134,457</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 42,348	3.25%	\$ 40,971
June 30, 2011	\$ 45,900	0.00%	\$ 86,871
June 30, 2012	\$ 47,586	0.00%	\$ 134,457

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$334,893, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$334,893. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,676,000 and the ratio of the UAAL to covered payroll was 9.11%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)

As of the July 1, 2009 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table. Annual retirement and termination probabilities were based on 80% for actives currently electing coverage beginning at age 55.

The UAAL is being amortized as a level dollar cost on a closed basis over 30 years. Because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method. The information presented is intended to approximate the funding progress of the plan.

10. COMMITMENTS

The County entered into the following contracts prior to June 30, 2012, which have not yet been completed.

<u>Project</u>	<u>Total Contract Amount</u>	<u>Costs Incurred As of 6-30-12</u>	<u>Remaining Commitment As of 6-30-12</u>
Bridge replacement	\$ 195,065	\$ -	\$ 195,065
Bridge replacement	171,060	-	171,060
	<u>\$ 366,125</u>	<u>\$ -</u>	<u>\$ 366,125</u>

The balances remaining at June 30, 2012, will be paid as work on the projects progresses.

11. INTERGOVERNMENTAL AGREEMENTS

The County entered into an agreement with the Sac County Solid Waste Agency, in accordance with Chapter 28E of the Code of Iowa, to provide for the disposal of solid waste. For the year ended June 30, 2012, \$68,310 was paid for landfill fees pursuant to the agreement.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The costs to the Agency for compliance with these requirements have been estimated at \$1,052,557 according to the Agency's latest audit report available, which was for the year ended June 30, 2011.

The Agency has demonstrated financial assurance for closure and post closure care costs by establishing a local government dedicated fund as provided in Chapter 567-113.14(6f) of the Iowa Administrative Code.

SAC COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

12. JUVENILE DETENTION CENTER

The County participates in Northwest Iowa Multicounty Regional Juvenile Detention Center, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Center is to establish and maintain a juvenile detention facility and related services. The Center does not determine capital allocations of the equity interest for individual participating jurisdictions. The Center issues separate financial statements on the accrual basis, and the transactions of the Center are not included in the financial statements of the County. The Center's activity for the fiscal year ending June 30, 2011, is summarized as follows:

Net assets, beginning of year	\$ 350,011
Revenues	952,270
Expenses	<u>1,005,516</u>
Net assets, end of year	<u>\$ 296,765</u>

The financial statements of the Center are available at the Center's administrative office in Cherokee, Iowa.

13. INDUSTRIAL REVENUE BONDS

The County has issued a total of \$3,500,000 of industrial revenue bonds (EVAPCO, Inc. Project) under the provisions of Chapter 419 of the Code of Iowa, of which \$1,080,000 is outstanding at June 30, 2012. The bonds and related interest are payable solely by the borrower, and the bond principal and interest do not constitute liabilities of the County.

14. CAPITAL ASSETS

The County has not recorded capital assets and the related depreciation and thus, the effect of this is not reflected in the financial statements.

15. OPERATING LEASE

The County has three leases. The Auditor's office leases a postage machine, and the Mental Health and Veteran's Affairs departments each lease a copy machine. Rental expense incurred for the leases was \$9,648 for the year ended June 30, 2012. Minimum amounts payable under this operating lease are as follows:

Year ending <u>June 30,</u>	
2013	\$ 9,332
2014	2,748
2015	2,748
2016	2,148
2017	<u>553</u>
Total minimum lease payments	<u>\$ 17,529</u>

16. DEFICIT FUND BALANCES

The Special Revenue – Mental Health fund had a deficit balance of \$353,018 at June 30, 2012. The deficit balance was a result of payables as of June 30, 2012. The Special Revenue - Drainage Districts fund had a deficit balance of \$28,180 at June 30, 2012. The Special Revenue – Sheriff's K-9 fund had a deficit balance of \$1,893 at June 30, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

SAC COUNTY
BUDGETARY COMPARISON
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN BALANCES – BUDGET
AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2012 .

	Actual	Less Funds Not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts:						
Property and other County tax	\$ 5,088,108	\$ -	\$ 5,088,108	\$ 5,171,390	\$ 5,171,390	\$ (83,282)
Interest and penalty on property tax	29,044	-	29,044	29,695	29,695	(651)
Intergovernmental	4,750,383	-	4,750,383	4,439,688	4,449,076	301,307
Licenses and permits	17,135	-	17,135	16,500	16,500	635
Charges for service	940,159	-	940,159	862,026	910,098	30,061
Use of money and property	52,193	-	52,193	33,308	33,308	18,885
Miscellaneous	537,739	319,103	218,636	15,600	246,128	(27,492)
Total receipts	<u>11,414,761</u>	<u>319,103</u>	<u>11,095,658</u>	<u>10,568,207</u>	<u>10,856,195</u>	<u>239,463</u>
Disbursements:						
Public safety and legal services	2,155,768	-	2,155,768	2,106,317	2,232,824	77,056
Physical health and social services	590,822	-	590,822	598,606	613,446	22,624
Mental health	1,570,232	-	1,570,232	1,519,853	1,593,853	23,621
County environment and education	686,905	-	686,905	737,816	743,808	56,903
Roads and transportation	4,152,009	-	4,152,009	4,058,900	4,231,900	79,891
Governmental services to residents	399,334	-	399,334	382,381	404,746	5,412
Administration	1,158,999	-	1,158,999	1,181,758	1,238,549	79,550
Debt service	48,634	-	48,634	55,000	55,000	6,366
Capital projects	359,103	113,706	245,397	363,000	290,000	44,603
Total disbursements	<u>11,121,806</u>	<u>113,706</u>	<u>11,008,100</u>	<u>11,003,631</u>	<u>11,404,126</u>	<u>396,026</u>
Excess (deficiency) of receipts over disbursements	292,955	205,397	87,558	(435,424)	(547,931)	635,489
Other financing sources, net	<u>(78,205)</u>	<u>(179,755)</u>	<u>101,550</u>	<u>110,000</u>	<u>110,000</u>	<u>(8,450)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	214,750	25,642	189,108	(325,424)	(437,931)	627,039
Balance beginning of year	<u>3,287,077</u>	<u>(1,095)</u>	<u>3,288,172</u>	<u>3,051,629</u>	<u>3,288,172</u>	<u>-</u>
Balance end of year	<u>\$ 3,501,827</u>	<u>\$ 24,547</u>	<u>\$ 3,477,280</u>	<u>\$ 2,726,205</u>	<u>\$ 2,850,241</u>	<u>\$ 627,039</u>

See accompanying independent auditor's report.

SAC COUNTY
BUDGETARY COMPARISON SCHEDULE - BUDGET
TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2012

	<u>Governmental Funds</u>		
	<u>Cash</u> <u>Basis</u>	<u>Accrual</u> <u>Adjustments</u>	<u>Modified</u> <u>Accrual</u> <u>Basis</u>
Revenues	\$ 11,414,761	\$ (8,864)	\$ 11,405,897
Expenditures	<u>11,121,806</u>	<u>(140,838)</u>	<u>10,980,968</u>
Net	292,955	131,974	424,929
Other financing sources, net	(78,205)	(850)	(79,055)
Beginning fund balances	<u>3,287,077</u>	<u>550,704</u>	<u>3,837,781</u>
Ending fund balances	<u>\$ 3,501,827</u>	<u>\$ 681,828</u>	<u>\$ 4,183,655</u>

See accompanying independent auditor's report.

SAC COUNTY
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION – BUDGETARY REPORTING
JUNE 30, 2012

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, the Internal Service Fund, and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service, and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$400,495. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council; for the County Assessor by the County Conference Board; for the E911 System by the E911 Service Board; and for Disaster Services by the Sac County Emergency Management Commission.

Included in the funds not required to be budgeted are the drainage districts.

During the year ended June 30, 2012, disbursements in certain departments exceeded the amount budgeted.

SAC COUNTY
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
		(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
2010	July 1, 2009	-	\$349,152	\$ 349,152	0.00%	\$3,516,000	9.93%
2011	July 1, 2009	-	\$403,392	\$ 403,392	0.00%	\$3,544,000	11.38%
2012	July 1, 2009	-	\$334,893	\$ 334,893	0.00%	\$3,676,000	9.11%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, and funded status and funding progress.

The above information was prepared using the entry age actuarial cost method. The purpose of this disclosure is to provide information that approximates the funding progress of the plan.

SUPPLEMENTARY INFORMATION

SAC COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

Schedule 1

	Special Revenue											
	<u>Sheriff</u>	<u>County Recorder's Records Management</u>	<u>Drainage Districts</u>	<u>Ambulance Reserve</u>	<u>Sheriff's Reserve</u>	<u>Sheriff's K-9</u>	<u>Jail Commissary</u>	<u>Crime Prevention</u>	<u>Resource Enhancement and Protection</u>	<u>Conservation Land Acquisition</u>	<u>Debt Service</u>	<u>Total</u>
<u>ASSETS</u>												
Cash and pooled investments	\$ 659	\$ 18,803	\$ 24,549	\$ 9,370	\$ 2,463	\$ (1,374)	\$ 13,863	\$ 594	\$ 91,025	\$ 28,084	\$ 22,403	\$ 210,439
Receivables:												
Property tax:												
Delinquent	-	-	-	-	-	-	-	-	-	-	161	161
Succeeding year	-	-	-	-	-	-	-	-	-	-	65,388	65,388
Accrued interest	-	731	-	-	-	-	-	-	56	-	-	787
Drainage assessments	-	-	65,033	-	-	-	-	-	-	-	-	65,033
Due from other governments	-	-	-	-	-	-	142	-	-	-	312	454
Total assets	<u>\$ 659</u>	<u>\$ 19,534</u>	<u>\$ 89,582</u>	<u>\$ 9,370</u>	<u>\$ 2,463</u>	<u>\$ (1,374)</u>	<u>\$ 14,005</u>	<u>\$ 594</u>	<u>\$ 91,081</u>	<u>\$ 28,084</u>	<u>\$ 88,264</u>	<u>\$ 342,262</u>
<u>LIABILITIES AND FUND BALANCES</u>												
Liabilities:												
Accounts payable	\$ -	\$ -	\$ 13,119	\$ -	\$ -	\$ 519	\$ 48	\$ -	\$ -	\$ -	\$ -	\$ 13,686
Interest payable	-	-	39,610	-	-	-	-	-	-	-	-	39,610
Deferred revenue:												
Succeeding year property tax	-	-	-	-	-	-	-	-	-	-	65,388	65,388
Other	-	-	65,033	-	-	-	-	-	-	-	161	65,194
Total liabilities	<u>-</u>	<u>-</u>	<u>117,762</u>	<u>-</u>	<u>-</u>	<u>519</u>	<u>48</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,549</u>	<u>183,878</u>
Fund balances:												
Restricted for:												
Debt service	-	-	-	-	-	-	-	-	-	-	22,715	22,715
Other purposes	659	19,534	-	9,370	2,463	-	13,957	594	91,081	28,084	-	165,742
Unassigned	-	-	(28,180)	-	-	(1,893)	-	-	-	-	-	(30,073)
Total fund balances	<u>659</u>	<u>19,534</u>	<u>(28,180)</u>	<u>9,370</u>	<u>2,463</u>	<u>(1,893)</u>	<u>13,957</u>	<u>594</u>	<u>91,081</u>	<u>28,084</u>	<u>22,715</u>	<u>158,384</u>
Total liabilities and fund balances	<u>\$ 659</u>	<u>\$ 19,534</u>	<u>\$ 89,582</u>	<u>\$ 9,370</u>	<u>\$ 2,463</u>	<u>\$ (1,374)</u>	<u>\$ 14,005</u>	<u>\$ 594</u>	<u>\$ 91,081</u>	<u>\$ 28,084</u>	<u>\$ 88,264</u>	<u>\$ 342,262</u>

See accompanying independent auditor's report.

SAC COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

Schedule 2

	Special Revenue											
	Sheriff	County Recorder's Records Management	Drainage Districts	Ambulance Reserve	Sheriff's Reserve	Sheriff's K-9	Jail Commissary	Crime Prevention	Resource Enhancement and Protection	Conservation Land Acquisition	Debt Service	Total
Revenues:												
Property and other County tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,746	\$ 52,746
Intergovernmental	-	-	-	-	-	-	-	-	10,296	-	2,897	13,193
Charges for services	-	2,795	-	-	-	-	-	-	-	291	-	3,086
Use of money and property	-	55	-	23	6	-	29	-	245	-	-	358
Miscellaneous	-	-	319,105	-	-	425	8,127	-	-	-	-	327,657
Total revenues	-	2,850	319,105	23	6	425	8,156	-	10,541	291	55,643	397,040
Expenditures:												
Operating:												
Public safety and legal services	-	-	-	-	-	1,269	3,765	-	-	-	-	5,034
Government services to residents	-	2,251	-	-	-	-	-	-	-	-	-	2,251
Non-program	-	-	117,557	-	-	-	-	-	-	-	-	117,557
Debt service	-	-	-	-	-	-	-	-	-	-	48,634	48,634
Total expenditures	-	2,251	117,557	-	-	1,269	3,765	-	-	-	48,634	173,476
Excess (deficiency) of revenues over expenditures	-	599	201,548	23	6	(844)	4,391	-	10,541	291	7,009	223,564
Other financing uses:												
Drainage district warrants	-	-	(179,755)	-	-	-	-	-	-	-	-	(179,755)
Excess (deficiency) of revenues and other financing sources over expenditures	-	599	21,793	23	6	(844)	4,391	-	10,541	291	7,009	43,809
Fund balances beginning of year	659	18,935	(49,973)	9,347	2,457	(1,049)	9,566	594	80,540	27,793	15,706	114,575
Fund balances end of year	\$ 659	\$ 19,534	\$ (28,180)	\$ 9,370	\$ 2,463	\$ (1,893)	\$ 13,957	\$ 594	\$ 91,081	\$ 28,084	\$ 22,715	\$ 158,384

See accompanying independent auditor's report.

SAC COUNTY
COMBINING SCHEDULE OF FIDUCIARY ASSETS
AND LIABILITIES – AGENCY FUNDS
JUNE 30, 2012

Schedule 3

	County Offices	Agricultural Extension	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
<u>ASSETS</u>										
Cash and pooled investments:										
County Treasurer	\$ -	\$ 3,751	\$ 107,118	\$ 165,395	\$ 11,844	\$ 90,900	\$ 3,828	\$ 269,045	\$ 118,590	\$ 770,471
Other County officials	42,386	-	-	-	-	-	-	-	-	42,386
Receivables:										
Property tax:										
Delinquent	-	489	582	21,582	1,555	25,067	67	-	6	49,348
Succeeding year	-	158,284	181,686	7,276,216	497,238	2,260,175	205,995	-	1,994	10,581,588
Accounts	-	-	-	-	-	-	-	-	18,170	18,170
Due from other governments	-	954	1,094	42,513	2,986	35,373	513	-	12	83,445
Special assessments	-	-	-	-	-	-	-	-	46,691	46,691
Total assets	<u>\$ 42,386</u>	<u>\$ 163,478</u>	<u>\$ 290,480</u>	<u>\$ 7,505,706</u>	<u>\$ 513,623</u>	<u>\$ 2,411,515</u>	<u>\$ 210,403</u>	<u>\$ 269,045</u>	<u>\$ 185,463</u>	<u>\$ 11,592,099</u>
<u>LIABILITIES</u>										
Accounts payable	\$ -	\$ -	\$ 462	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,816	\$ 5,278
Salaries and benefits payable	-	-	-	-	-	-	-	-	610	610
Due to other governments	<u>42,386</u>	<u>163,478</u>	<u>290,018</u>	<u>7,505,706</u>	<u>513,623</u>	<u>2,411,515</u>	<u>210,403</u>	<u>269,045</u>	<u>180,037</u>	<u>11,586,211</u>
Total liabilities	<u>\$ 42,386</u>	<u>\$ 163,478</u>	<u>\$ 290,480</u>	<u>\$ 7,505,706</u>	<u>\$ 513,623</u>	<u>\$ 2,411,515</u>	<u>\$ 210,403</u>	<u>\$ 269,045</u>	<u>\$ 185,463</u>	<u>\$ 11,592,099</u>

See accompanying independent auditor's report.

SAC COUNTY
 COMBINING SCHEDULE OF CHANGES FIDUCIARY ASSETS
 AND LIABILITIES – AGENCY FUNDS
 YEAR ENDED JUNE 30, 2012

Schedule 4

	County Offices	Agricultural Extension	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Other	Total
<u>ASSETS AND LIABILITIES</u>										
Balances beginning of year	\$ 24,899	\$ 161,298	\$ 283,366	\$ 6,985,843	\$ 513,033	\$ 2,133,223	\$ 222,360	\$ 303,257	\$ 148,794	\$ 10,776,073
Additions:										
Property and other county tax	-	158,170	188,169	6,862,479	502,843	2,079,669	219,540	-	2,818	10,013,688
E911 surcharge	-	-	-	-	-	-	-	-	93,773	93,773
State tax credits	-	8,801	10,359	387,371	27,831	173,027	10,251	-	105	617,745
Office fees and collections	250,109	-	561	-	-	-	-	-	47,625	298,295
Electronic transaction fee	-	-	-	-	-	-	-	-	2,795	2,795
Auto licenses, use tax, and postage	-	-	-	-	-	-	-	3,718,724	-	3,718,724
Assessments	-	-	-	-	-	-	-	-	40,311	40,311
Trusts	98,826	-	-	-	-	-	-	-	-	98,826
Miscellaneous	-	-	45	-	-	-	-	-	129,717	129,762
Total additions	348,935	166,971	199,134	7,249,850	530,674	2,252,696	229,791	3,718,724	317,144	15,013,919
Deductions:										
Agency remittances:										
To other governments	232,622	164,791	192,020	6,729,987	530,084	1,974,404	241,748	3,752,936	280,475	14,099,067
Trusts paid out	98,826	-	-	-	-	-	-	-	-	98,826
Total deductions	331,448	164,791	192,020	6,729,987	530,084	1,974,404	241,748	3,752,936	280,475	14,197,893
Balances end of year	\$ 42,386	\$ 163,478	\$ 290,480	\$ 7,505,706	\$ 513,623	\$ 2,411,515	\$ 210,403	\$ 269,045	\$ 185,463	\$ 11,592,099

See accompanying independent auditor's report.

SAC COUNTY
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY
FUNCTION – ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

Schedule 5

	Modified Accrual Basis									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues:										
Property and other County tax	\$ 5,141,041	\$ 4,618,054	\$ 4,495,166	\$ 4,268,201	\$ 4,200,821	\$ 4,087,214	\$ 3,614,244	\$ 3,747,231	\$ 3,879,746	\$ 3,530,628
Interest and penalty on property tax	29,044	35,277	29,153	29,695	27,535	31,820	27,760	27,163	27,543	28,374
Intergovernmental	4,694,663	4,065,403	4,287,007	4,231,427	3,937,003	3,923,258	4,167,709	3,877,544	3,956,167	3,818,787
Licenses and permits	18,145	19,905	51,970	25,119	26,815	25,948	23,325	28,003	12,075	12,911
Charges for service	934,466	983,524	1,165,544	1,278,286	930,077	977,521	854,221	715,709	797,098	703,444
Use of money and property	52,045	64,047	49,239	90,125	168,356	199,948	161,936	124,587	102,371	114,815
Miscellaneous	536,493	151,383	99,117	527,605	590,544	52,848	129,172	292,656	477,364	193,574
Total	<u>\$11,405,897</u>	<u>\$ 9,937,593</u>	<u>\$10,177,196</u>	<u>\$10,450,458</u>	<u>\$ 9,881,151</u>	<u>\$ 9,298,557</u>	<u>\$ 8,978,367</u>	<u>\$ 8,812,893</u>	<u>\$ 9,252,364</u>	<u>\$ 8,402,533</u>
Expenditures:										
Operating:										
Public safety and legal services	\$ 2,220,839	\$ 2,147,228	\$ 1,780,493	\$ 1,858,646	\$ 1,568,632	\$ 1,533,533	\$ 1,385,775	\$ 1,255,893	\$ 1,379,201	\$ 1,367,992
Physical health and social services	569,952	579,266	710,388	568,608	540,456	525,696	492,304	472,069	601,221	625,728
Mental health	1,878,005	1,680,804	1,426,118	1,520,812	1,450,466	1,366,243	1,429,582	1,473,105	1,386,637	1,274,751
County environment and education	687,813	783,362	1,064,325	814,923	730,028	674,558	664,232	579,923	519,182	566,887
Roads and transportation	3,659,743	4,261,445	3,483,601	3,167,084	3,169,621	3,082,219	3,070,354	2,528,859	2,988,146	2,774,141
Governmental services to residents	401,256	364,384	359,868	331,455	303,253	321,464	300,480	303,009	299,634	290,975
Administration	1,151,882	1,032,175	1,047,649	968,830	1,054,164	892,933	941,489	797,857	779,160	735,531
Non-program	117,557	241,071	88,136	293,508	366,163	503,890	150,583	151,900	70,135	123,330
Debt service	48,634	50,250	50,849	51,424	51,989	54,780	-	9,249	21,504	63,320
Capital projects	245,287	346,925	284,578	770,700	166,339	261,754	993,652	427,433	617,009	416,221
Total	<u>\$10,980,968</u>	<u>\$11,486,910</u>	<u>\$10,296,005</u>	<u>\$10,345,990</u>	<u>\$ 9,401,111</u>	<u>\$ 9,217,070</u>	<u>\$ 9,428,451</u>	<u>\$ 7,999,297</u>	<u>\$ 8,661,829</u>	<u>\$ 8,238,876</u>

See accompanying independent auditor's report.

HUNZELMAN, PUTZIER & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
JASON K. RAVELING
TAMMY M. CARLSON, C.P.A.
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Sac County:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sac County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated January 9, 2013. The report on the governmental activities was adverse because capital assets and the related depreciation expense have not been recorded. Except as discussed in the preceding sentence, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Sac County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Sac County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sac County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sac County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Sac County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-(A-F)-12.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sac County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of non-compliance and other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items I-(G-H)-12. We noted certain instances of noncompliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2012, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Sac County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Sac County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Sac County and other parties to whom Sac County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Hungelman, Putzger & Co., PLLC

January 9, 2013

SAC COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-12 Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

- | | <u>Applicable Offices</u> |
|--|--|
| 1. All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records. | Treasurer,
Recorder, Sheriff |
| 2. Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle or record cash. | Treasurer, Sheriff,
Recorder |
| 3. Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment. | Auditor, Treasurer,
Recorder, Sheriff |

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations, and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – The Board of Supervisors and Department Heads continually strive to segregate the duties of the offices as limited staff will allow.

Conclusion – Response accepted.

SAC COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements: – (Continued)

I-B-12 Financial Reporting - We noted that while management is capable of preparing accurate financial statements that provide information sufficient to make management decisions, reporting financial data reliably in accordance with generally accepted accounting principles (GAAP) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable GAAP financial statements.

Response – Officers and staff take advantage of on-line information services and conferences sponsored by the Iowa State Association of Counties to obtain additional and updated information to help in preparing reliable GAAP financial statements.

Conclusion – Response accepted.

I-C-12 Property Tax Credit Receipt – The Treasurer is responsible to collect property tax on behalf of taxing authorities within the county and to remit collections to these authorities monthly. Some of these taxes are collected as property tax credits from the state in lieu of taxes. During the year, the Treasurer's office recorded a homestead property tax credit as a miscellaneous receipt in the general fund of the county. Because of the error in coding, the county did not remit this property tax credit to the taxing authorities within the county.

Recommendation – The Treasurer's office should identify and code property tax credits into the computer software so that they can be remitted to the various taxing authorities within the county. Also, the Treasurer and her staff should seek answers from an appropriate source when receipt coding is questioned or unknown.

Response – The Treasurer and Staff will identify all property tax credits and code them so that all entities will receive all credits due to them.

Conclusion – Response accepted.

I-D-12 Property Tax Credit Calculation – The Treasurer is responsible to collect property tax on behalf of taxing authorities within the county and to remit collections to these authorities monthly. Some of these taxes are collected as property tax credits from the state in lieu of taxes. During the year, the Treasurer collected less than the correct amount of homestead property tax credit from the state. Because the correct amount was not collected, the county and other taxing authorities within the county did not receive the amounts to which they were entitled.

Recommendation – The Treasurer should review carefully the payments and correspondence received from the state for property tax credits. The payments and amounts in the correspondence should be compared to the amounts expected from the abstract of taxes report and to the amounts received in previous years. The Treasurer should investigate any differences found in these amounts and determine if the differences are valid. The Treasurer should resolve any invalid differences.

Response – The Board of Supervisors and the County Treasurer have adopted policy to review with staff all claims for reimbursement or credits from the State before submitting the claim.

Conclusion – Response accepted.

SAC COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements: – (Continued)

- I-E-12 Payroll Processing – The Auditor's office is responsible for processing payroll for all county employees. The Auditor's deputy responsible for processing payroll overpaid several Sheriff deputies over a period of two years. The error occurred because the Sheriff deputies are paid on a salary basis, and the number of hours worked did not show correctly on their pay stub. To correct the number of hours shown, a software code was created for Sheriff deputies. When the software code began to be used, the calculated wages were inflated. Therefore, wages paid were not in accordance with approved wage rates.

Recommendation – The Auditor's office should strive to simplify the current process of payroll. A process that is less complex would be easier to understand, review, and recalculate. The Auditor's office should satisfy themselves that payroll is being calculated accurately by the software. This may include manual recalculation when wage rates change or when new deductions are present. The Auditor's office should have another staff member review payroll calculations prior to finalizing the process. The Auditor's office should train another staff member to ensure the process would not be hindered by the absence of the staff member primarily responsible for the payroll process.

Response – The County Auditor and Staff will review the payroll process for ways to manage it with simplicity and accuracy. Additional staff has been added to review and assist with calculations and to maintain the process during absences.

Conclusion – Response accepted.

- I-F-12 Credit Card Documentation – The ambulance department did not provide detailed receipts to support the credit card charges listed on the credit card statement submitted to the Auditor's office for payment. Without the detailed receipts, it is difficult to determine whether the charges are for a valid county purpose.

Recommendation – The ambulance department should provide a detailed receipt for each charge listed on the credit card statement when submitting the statement to the Auditor's office for payment. The Auditor's office should verify that each charge is supported by a detailed receipt that identifies the county purpose before submitting the claim to the Board of Supervisors for approval.

Response – All credit card statements submitted for payment are now accompanied with a receipt for each purchase.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

- I-G-12 Inventory of Capital Assets - An inventory of capital assets is not maintained.

Recommendation - Generally accepted accounting principles require that capital assets be recorded and depreciated in order to present fairly the financial position of the County. We recommend that this situation be reviewed and appropriate action be taken as soon as practicable to establish an inventory of capital assets owned by the County.

Response – Limited funds and staff continue to slow the process of implementing an inventory of fixed assets.

Conclusion – Response accepted.

SAC COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements: – (Continued)

I-H-12 Mental Health Fund – The Mental Health Fund has a deficit balance of approximately \$353,000 at June 30, 2012 on the accrual basis.

Recommendation – The County should investigate alternatives to eliminate this deficit in order to return the fund to a sound financial condition.

Response – The Board of Supervisors is considering optional methods of balancing the Mental Health Budget.

Conclusion – Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 Certified Budget - Disbursements in certain departments during the year ended June 30, 2012 exceeded appropriations prior to the budget amendments and at year end.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – All budgets will be reviewed periodically to determine the needs for amendments.

Conclusion – Response accepted.

II-B-12 Questionable Expenditures - We noted no expenditures which may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-12 Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

II-D-12 Business Transactions - Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Brian Erritt, Sheriff deputy, Spouse	Cleaning	\$ 2,600
Nancy Auen, Recorder, Brother owns Phillips Mfg.	Parts and Repairs	\$ 17,258
Nancy Auen, Recorder, Husband, owns Auen Construction	Repairs	\$ 3,612

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions may represent a conflict of interest since total transactions were more than \$1,500 during the fiscal year.

Recommendation – We recommend the Board determine whether these services were awarded through competitive bidding or have the attorney review the transactions to determine if they are proper.

SAC COUNTY
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part II: Other Findings Related to Required Statutory Reporting: - (Continued)

II-D-12 Business Transactions – (Continued)

Response – The Board of Supervisors and the County Attorney will review any business transactions to determine if they are proper.

Conclusion – Response accepted.

II-E-12 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to insure that the coverage is adequate for current operations.

II-F-12 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

II-G-12 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.

II-H-12 Resource Enhancement and Protection Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

II-I-12 County Extension Office - The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B. Disbursements during the year ended June 30, 2012, for the County Extension Office did not exceed the amount budgeted.

II-J-12 Emergency Management Budget – Disbursements during the year ended June 30, 2012 exceeded the amount budgeted for the Emergency Management Commission.

Recommendation – The budgets should have been amended before the disbursements were allowed to exceed the budget.

Response – The E.M.A. Board will be notified if their budget is in need of an amendment and will proceed accordingly.

Conclusion – Response accepted.